



MEMORANDUM

AGENDA ITEM III.F

DATE: SEPTEMBER 8, 2014

TO: COUNCIL MEMBERS

FROM: STAFF

SUBJECT: OPPORTUNITIES FOR EXPANDING ECONOMIC DEVELOPMENT AND JOB CREATION

Background

The Council currently has two tools to help drive economic development and create jobs in our region. One of these tools is the Council's Revolving Loan Funds (RLF), which is sponsored by the US Department of Economic Development (EDA Fund) and the US Department of Environmental Protection (EPA Fund). The Council gave full loan decision authority to the five-member RLF Loan Administration Board (LAB) when the program was first initiated. The other Council tool is through The Institute for Community Collaboration, Inc. (ICC), working with businesses and local banks on Technical Assistance programs. Technical Assistance programs are Council-sponsored workshops focused on improving business techniques that will increase sales, profits and jobs.

The Council's work with EDA has resulted in over \$5.9 million in active loans and 2,635 total jobs (created/retained). The work with the EPA has resulted in \$2.4 million in loans. However, the amount of funding currently available to the region from both funds is only \$1.4 million. The EDA Fund has \$0.4 million and the EPA Fund has \$1.0 million. EDA loans are term loans targeted to underserved businesses in the region while the EPA fund is for funding brownfield cleanup activities in our region. The Council has limited funds available to continue the Technical Assistance work.

Council staff has held several recent discussions with the LAB, Miami-Dade County, the National Development Council (NDC), Citibank, Goldman Sachs, Bank United, and others to determine a recommended plan of action needed to access more capital for economic development and job creation.

As a result of these discussions, staff and Legal Counsel have determined that a Community Development Financial Institution (CDFI) should be created as a new tool to attract capital for economic development and job creation. A CDFI is a specialized financial institution dedicated to serving low-income communities. A CDFI is eligible to receive financial assistance from either the US government or US banks. In order for the CDFI to be certified by the US Department of Treasury, it must meet the following requirements:

- Be a legal entity at the time it applies for certification;
- Have a primary mission of promoting community development;
- Be a financing entity;

- Primarily serve one or more target markets;
- Provide development services in conjunction with its financing activities;
- Maintain accountability to its defined target market; and
- Be a non-government entity and not be under control of any government entity.

After discussions with Legal Counsel, and the Executive Committee of the SFRPC the best structure for the new CDFI is to create a not-for-profit corporation. This new corporation will be called the *Southeast Florida Community Development Fund, Inc.* The Articles of Incorporation and By-Laws have been developed by the Council's legal Counsel. Council staff along with Legal will be applying for an IRS 501(c) (3) determination. CDFI certification and Technical Assistance Awards application can also be completed within the next few months.

The CDFI application process is expected to take 6-9 months to complete. However, the new not-for-profit may begin working as "hosting partner" for the "Grow Miami Fund". Miami-Dade County and the National Development Council (NDC), along with Citibank, want to establish a "Grow Miami Fund" that is to be modeled after the NDC's existing "Grow America Fund". The NDC's "Grow America Fund" is a loan fund targeted to help women and minority owned businesses grow and create jobs. The "Grow America Fund" is currently active in 44 States and Puerto Rico.

The Grow Miami Fund will be a loan fund initiative established to make small business loans to growing businesses in Miami-Dade County. The emergence of the Grow Miami Fund comes in the context of attempting to strengthen the "economic development financing system" of the region. There are other organizations which have played and will play a key role in the successful operations of the Grow Miami Fund, including Citibank, the U.S. Small Business Administration, Miami-Dade College, Florida International University, the Miami Foundation, and The Beacon Council, among others.

The Grow Miami Fund ("GMF") is designed to provide financing where there is a lack of accessible capital from more traditional lending sources. The GMF intends to make loans under the SBA 7(a) program as well as non-SBA loans, where GAF shall underwrite, fund and keep the 7(a) loans on its books and SFRPC shall underwrite, fund and keep the non-7(a) loans on its books. The GMF takes advantage of the GAF ability to raise capital and to leverage it under the 7(a) program, its underwriting experience and portfolio management, as well as its relationship with NDC, as a provider of technical assistance. The GMF will also take advantage of the SFRPC's extensive knowledge of the Miami-Dade economy; its loan fund experience; its network of organizations supporting economic development; and its experience in small business lending.

Recommendation

1. Authorize the Executive Director to continue forming a new 501(c) (3) and begin the CDFI certification process as well as board appointments and advisory committee member appointments.
2. Authorize the Chair of the Council to appoint two members to the *Southeast Florida Community Development Fund, Inc.* Board.
3. Authorize the Executive Director to continue discussions with the National Development Council, Miami-Dade County and Citibank to finalize a hosting service agreement.
4. Authorize Executive Director to negotiate funding opportunities for the new corporation.